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NEWS RELEASE

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PSC OKs Energy Conservation Plan for Kentucky Power *Urges steps to increase customer participation as energy costs rise*

FRANKFORT, Ky. (Jan. 23, 2012) – The Kentucky Public Service Commission (PSC) has approved the renewal of residential and commercial energy conservation and efficiency programs for Kentucky Power Co.

In an order issued today, the PSC authorized Kentucky Power to continue 12 programs for residential or commercial customers, while reducing participation targets for two of the programs. However, the PSC strongly encouraged Kentucky Power to take steps to increase the number of customers making use of all the programs.

Participation in the programs is “one way in which customers can impact the extent to which ever-increasing energy costs increase their electric bills,” the PSC said in its order. Kentucky Power should “educate its customers about the need for greater energy efficiency due to the rising cost of electric energy and the strain that the demand of electric usage at peak times” places on the company’s system, the PSC said.

Kentucky Power’s energy conservation and efficiency initiatives are included in the companies’ demand-side management (DSM) programs. In accordance with Kentucky statutes, the DSM program is funded through a surcharge on customers’ bills.

A utility is required to demonstrate that its DSM programs are cost-effective in a number of ways, including providing long-term savings to ratepayers as a whole. The Kentucky Power programs meet those tests, the PSC said.

Components of the Kentucky Power DSM programs include:

- Promotion of the use of energy-efficient light bulbs
- Energy education
- Financial incentives for commercial customers to reduce energy usage
- Energy audit, energy efficiency and weatherization programs targeted to low-income customers

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- Incentives to improve energy efficiency of mobile homes
- An energy audit and energy efficiency program targeted at homes with high electric consumption.

The PSC noted that the program for high-usage homes is being provided to owners of newer homes that are less in need of energy efficiency improvements than older, less efficient residences. As a result, the program will be reviewed on an accelerated schedule.

Kentucky Power said participation was lagging in two other programs. One gives bill credits to residential and commercial customers who allow the utilities to remotely turn off air conditioners or water heaters for brief periods during times of peak demand. The other offers financial incentives to commercial customers who install high-efficiency heat pumps or air conditioners.

Although customer participation in DSM efforts is voluntary, the low utilization of some of Kentucky Power's programs is a cause for concern, the PSC said.

As the result of a settlement, Kentucky Power's residential rates increased by more than 16 percent in June 2010. Additionally, the company has applied to construct federally-mandated pollution control systems that it says could increase residential bills by another 31 percent.

Under those circumstances, "most well-informed customers would choose to participate in DSM programs to avoid higher energy bills," the PSC said. Therefore, Kentucky Power should work to increase participation in those programs, the PSC said, adding that it intends to "closely monitor Kentucky Power's efforts" in that regard.

In today's order the PSC also approved revised surcharges to better reflect program costs and allocation of those costs among different customer classes. A customer using 1,000 kilowatt-hours per month (a kilowatt-hour is the amount of power used by a 100-watt light bulb in 10 hours) will see the surcharge increase by about 7.5 cents per month.

Kentucky Power is a subsidiary of American Electric Power Co. It has about 175,000 customers in 20 eastern Kentucky counties.

The application to renew the programs was submitted by Kentucky Power and the members of its DSM collaborative group, with the exception of the Kentucky Office of Attorney General. The Attorney General's office participated in the case independently.

The order and related documents can be found on the PSC website, psc.ky.gov. The case number is 2011-00300.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 100 employees.